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OCT 27 2004

STB
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BY HAND



October 27, 2004

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SUBFACE
TRANSPORTATION BOARD

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

RE: STB Docket No. AB-303 (Sub. No. 27)
Wisconsin Central, Ltd.-Abandonment- In
Ozaukee, Sheboygen and Manitowoc Counties, WI

2004

Part of
Public Record

Offer of Financial Assistance Submitted On
Behalf of Wisconsin Department of Transportation
And Wisconsin & Southern Railroad Co.

Dear Mr. Williams:

On behalf of Wisconsin Department of Transportation and Wisconsin & Southern Railroad Co., I am filing an original and ten copies of the following documents in the above-captioned proceeding:

(1) A Highly Confidential Version of an Offer of Financial Assistance under 49 U.S.C. 10904 and 49 CFR 1152.27 in a sealed envelop marked "Highly Confidential Version;"

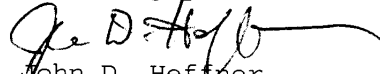
(2) A Public Version of an Offer of Financial Assistance under 49 U.S.C. 10904 and 49 CFR 1152.27; and

(3) A Motion of Wisconsin & Southern Railroad Co. for a Protective Order Pursuant to 49 CFR 1104.14.

I am also enclosing one check payable to the Board for \$1,100 to cover the applicable filing fee and a computer disk formatted in WordPerfect containing the OFA filing.

Please date stamp and return two copies of each filing for our records.

Sincerely yours,


John D. Hefner

Enclosures

cc: Allyn Lepaske, Esq.
Secretary Frank Busalacchi
T.J. Litwiler, Esq.
Theodore J. Kalick, Esq.
Mr. William Gardner

PUBLIC VERSION

ORIGINAL

FILED
OCT 27 2004
SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-303 (SUB-NO. 27)

WISCONSIN CENTRAL LTD.
--ABANDONMENT--
IN OZAUKEE, SHEBOYGAN AND MANITOWOC COUNTIES, WI



212373

OFFER OF FINANCIAL ASSISTANCE
SUBMITTED ON BEHALF OF
WISCONSIN DEPARTMENT OF TRANSPORTATION
AND WISCONSIN & SOUTHERN RAILROAD CO.

Respectfully submitted

JOHN D. HEFFNER
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Attorney for Wisconsin & Southern
Railroad Co.

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Public Record

ALLYN LEPESKA
Office of General Counsel
Wisconsin Department of Transportation
4802 Sheboygan Avenue, Room 115-B
P. O. Box 7910
Madison, WI 53707-7910
(608) 266-8810

Attorney for Wisconsin Department of
Transportation

October 27, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD



DOCKET NO. AB-303 (SUB-NO. 27)

WISCONSIN CENTRAL LTD.
--ABANDONMENT--
IN OZAUKEE, SHEBOYGAN AND MANITOWOC COUNTIES, WI

OFFER OF FINANCIAL ASSISTANCE
SUBMITTED ON BEHALF OF
WISCONSIN DEPARTMENT OF TRANSPORTATION
AND WISCONSIN & SOUTHERN RAILROAD CO.

Wisconsin Department of Transportation ("WisDOT") and the Wisconsin & Southern Railroad Co. ("WSOR") (hereinafter jointly referred to as "Offeror") hereby file this Offer of Financial Assistance with respect to that portion of Wisconsin Central Limited's ("WCL") line known as the Plymouth Line between milepost 114.8 near Saukville and milepost 151.8 near Kiel, in Ozaukee, Sheboygan and Manitowoc Counties, Wisconsin, a distance of approximately 37 miles.

By decision served on October 18, 2004, the Surface Transportation Board granted the WCL's application to abandon the above-described portions of the Plymouth Line. The decision provides that any OFA must be received by WCL and the Board by October 28, 2004, subject to any time extensions authorized under 49 CFR 1152.27(c)(1)(i)(C).

Offeror seeks to acquire and operate the Plymouth Line in order to preserve and enhance rail service over the subject line. WSOR is a Class II railroad, which operates over 600 miles of trackage in central and southern Wisconsin and northern Illinois.

WisDOT is the state agency with legislative authority to provide financial and technical assistance to freight railroads. Section 85.08, Wis. Stats.

WisDOT plans to acquire the real estate, track and other materials on the Plymouth Line but not the common carrier authority. WSOR will acquire the common carrier authority over the Plymouth Line. WisDOT will shortly file with the Board a Petition for Declaratory Relief pursuant to 5 U.S.C. 554(e) and 49 U.S.C. 721, seeking a ruling that its acquisition and ownership of the real estate, track and other materials constituting the Plymouth Line but without the common carrier obligation associated with the subject line will not render it a common carrier. WisDOT will include with its Petition a draft of the proposed operating agreement between WisDOT and WSOR so that the Board can determine that WisDOT is not a common carrier under the Board's precedent. See State of Maine, 8 I.C.C.2d at 836-37; Wisconsin Department of Transportation and East Wisconsin Counties Rail Consortium, Finance Docket 32717 (STB Service Date December 8, 1997); and State of Wisconsin Department of Transportation, STB Finance Docket No. 34181 (STB Service Date August 1, 2002).

Offeror has assessed the financial information provided by WCL concerning the estimated net liquidation value of the track and other materials on the Plymouth Line and the real estate information for the right-of-way. Based upon its initial review, Offeror believes that the valuations provided in the abandonment are excessive due to a number of real estate title concerns and the omission of track removal and tie disposal costs. However, for the purpose of this Offer, Offeror will accept WCL's appraised value of \$2,068,522 subject to completion of WisDOT's due diligence. WisDOT reserves the right to lower the amount of its offer and may file a Request to Set Terms and Conditions in

accordance with 49 U.S.C. 10904(e) and 49 CFR 1152.27(g) if the parties fail to negotiate a mutually acceptable acquisition agreement.

Offeror is a financially responsible party. WisDOT¹ is a government agency and is presumed financially responsible under the Board's regulations. 49 CFR 1152.27(c)(1)(ii). The confidential financial statements of WSOR submitted with the highly confidential version of the Offer demonstrate that the WSOR has the financial capacity to acquire the common carrier obligation associated with the Plymouth Line and to operate it for at least two years.

Respectfully submitted,



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Attorney for Wisconsin & Southern
Railroad Co.

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Attorney for Wisconsin Department of
Transportation

October 27, 2004

¹ WisDOT plans to work with local communities in negotiating this transaction.


a mutually acceptable acquisition agreement.

Offeror is a financially responsible party. WisDOT¹ is a government agency and is presumed financially responsible under the Board's regulations. 49 CFR 1152.27(c)(1)(ii). The confidential financial statements of WSOR submitted with the highly confidential version of the Offer demonstrate that the WSOR has the financial capacity to acquire the common carrier obligation associated with the Plymouth Line and to operate it for at least two years.

Respectfully submitted,

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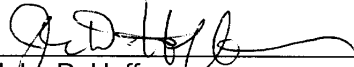
Attorney for Wisconsin Department of
Transportation

October 27, 2004

¹ WisDOT plans to work with local communities in negotiating this transaction.

CERTIFICATE OF SERVICE

I, John D. Heffner, hereby certify that I have this 27th day of October, 2004, served by first class mail a copy of the foregoing Offer of Financial Assistance of Wisconsin Department of Transportation and Wisconsin & Southern Railroad Co. to all Parties of Record.



John D. Heffner

pc: Secretary Frank Busalacchi
Wisconsin Department of Transportation
Executive Offices
P.O. Box 7910
Madison, WI 53707-7910

Thomas J. Litwiler, Esq.
Fletcher & Sippel
29 N. Wacker Drive
Suite 920
Chicago, IL 60606-2875

Theodore J. Kalick, Esq.
Canadian National Railways
601 Pennsylvania Avenue N.W.
Suite 500 North Building
Washington, DC 20004



Wisconsin & Southern Railroad Co.

P.O. Box 9229

5300 N. 33rd Street

Milwaukee, Wisconsin 53209-0229

Phone 414-438-8820 Fax 414-438-8826 Web Site www.wsorrailroad.com

STATEMENT OF FINANCIAL RESPONSIBILITY WISCONSIN & SOUTHERN RAILROAD CO.

My name is Tim Karp. I hold the corporate officer position of Treasurer and I am the Vice President – Finance for the Wisconsin & Southern Railroad Co. (WSOR). I am submitting this statement in support of WSOR's financial responsibility for the offer of financial assistance submitted with the State of Wisconsin.

WSOR estimates that in the first year of operations, with its aggressive marketing program, it will increase the current traffic levels from approximately 200 carloads to 825 carloads with the present customers located on the Kiel-Saukville line (the Line). This estimate is based on the assumption that WSOR will be granted overhead trackage rights¹ across the contiguous Wisconsin Central line from Milwaukee to Saukville to connect the Line to the rest of WSOR's system, discussions with customers located on the line and WSOR's ability to provide additional outlets for these customers' products which are located on our existing rail system. These existing customers will generate an estimated \$620,000 in revenue. This increase in carloads does not include any additional traffic and revenue from businesses that currently do not use rail, but are located on or near the Line that have expressed an interest in shipping via rail if provided a consistent and affordable service. If a few of these potential shippers do begin to ship and other existing customers increase car loadings, WSOR will conservatively increase revenue by 10 percent or to \$680,000 in the second year. Also, important for long-term growth on the Line is WSOR's ability to provide multiple connections to most Class I Railroads at various interchange points throughout its existing rail system. WSOR is confident that it can achieve the projected increase, because it has in the past. WSOR has more than tripled its car loadings on the segments of rail system that it has operated since 1992. For example, when WSOR began operating a rail line leased from the Union Pacific Railroad, WSOR was able in the first year of operation to increase the carloads shipped on that line by 30% over the amount shipped when the Union Pacific operated the line. In the second year of operations, the carloads shipped were almost double the level than that of the Union Pacific just two years earlier.

On the cost side, WSOR expects to gain some cost efficiencies and incremental savings by utilizing existing equipment capacity and personnel already located in Milwaukee, Wisconsin near the WSOR track that the Wisconsin Central has trackage rights over and operates on to serve the customers on the Line. WSOR estimates the total cost to provide service 3 days a week on the Line is estimated to be \$675,000 in the first year. This results in a net loss of \$55,000 in the first year of the Line's operation. Costs are expected to remain constant in the second year of operation, which, if revenue increases as projected, will result in a net profit in of \$5,000 in the second year of operating the Line.

Regarding essential track work, WSOR has arranged for its engineering and operating officials to inspect the Line. WSOR estimates that approximately \$40,000 must be spent on track and right of way rehabilitation in order to continue operations. Beyond that, WSOR existing track department and equipment will keep the Line in a condition acceptable for the traffic handled over

¹ WISCONSIN CENTRAL has indicated that it would grant WSOR overhead trackage rights over the line.
"Satisfying customers needs through continuous improvement"

the Line. WSOR receives funding from the Wisconsin Department of Transportation, which will be used to address major rehabilitation needs on the Line.

I am submitting two documents with this explanation. The first is an income statement for the period ending September 30, 2004. The second is a balance sheet also dated September 30, 2004. The 2003 figures come from WSOR's audited financial statements. The income statement shows three sets of columns of figures. The first is a comparison between WSOR's monthly freight revenues and profit or loss for the months of September 2004 and 2003. It also compares WSOR's budgeted freight revenues and profit or loss for the same periods. The second set of columns compares WSOR's financial performance in terms of freight revenues and profit or loss for the 9 months' period ending September 2004. The last two sets of columns reflect WSOR's budget estimate of its freight revenues and profit or loss for 2004 and its actual freight revenues and profit or loss for 2003. Significantly, WSOR enjoyed 2003 freight revenues of [REDACTED] and a profit of \$[REDACTED]. Based upon the actual results of the first 9 months of 2004, WSOR's annual budget estimates that 2004 freight revenues will run [REDACTED] and a profit of \$[REDACTED].

WSOR's balance sheet shows that the company had a net worth of [REDACTED] for 2003 and a net worth of \$[REDACTED] as of September 30, 2004. The company currently has [REDACTED] in current cash or cash equivalents.

Accordingly, WSOR is a "financially responsible person" insofar as it has the resources to maintain and operate the Line for the two-year minimum period of operations required under the statute.

Sincerely,



Tim Karp

Highly Confidential financial Statements
Omitted from Public Version